

# Using partially synthetic microdata to protect sensitive cells in business statistics

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- ▶ This work is part of the Census Bureau's LBD Initiative.

## Disclaimer

“

*This paper reports the results of research and analysis undertaken by Census Bureau staff. It has undergone a more limited review by the Census Bureau than its official publications. This report is released to inform interested parties and to encourage discussion. Any findings, conclusions or opinions are those of the authors. They do not necessarily reflect those of the Center for Economic Studies, the U.S. Census Bureau, or the National Science Foundation.*

”

## Business Dynamics

"The U.S. economy is comprised of over 6 million establishments with paid employees. The population of these businesses is constantly churning – some businesses grow, others decline and yet others close. New businesses are constantly replenishing this pool."[\*]

### Statistics at great detail on

- ▶ job creation and destruction
- ▶ establishment births and deaths
- ▶ firm startups and shutdowns

by establishment and firm characteristics (age, size, location)

# Business Dynamic Statistics (BDS)

[www.census.gov/ces/dataproducts/bds/](http://www.census.gov/ces/dataproducts/bds/)

## Firm and Establishment Characteristics

- ▶ Sector
- ▶ Firm Size
- ▶ Firm Age
- ▶ Initial Firm Size
- ▶ Geography (State, Metro/Non-metro, MSA)
- ▶ Cross-tabulations by up to three of these characteristics

## Lots of detail

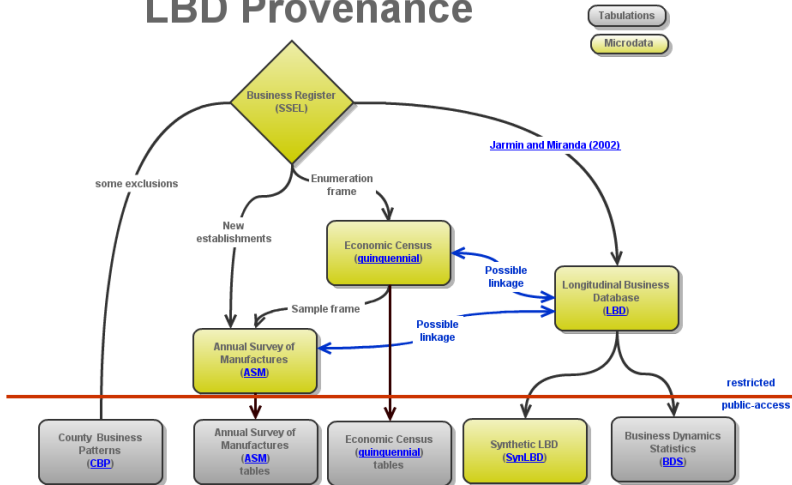
**Currently** 62 very detailed tables, latest release September 2015

# Business Microdata at the Census Bureau

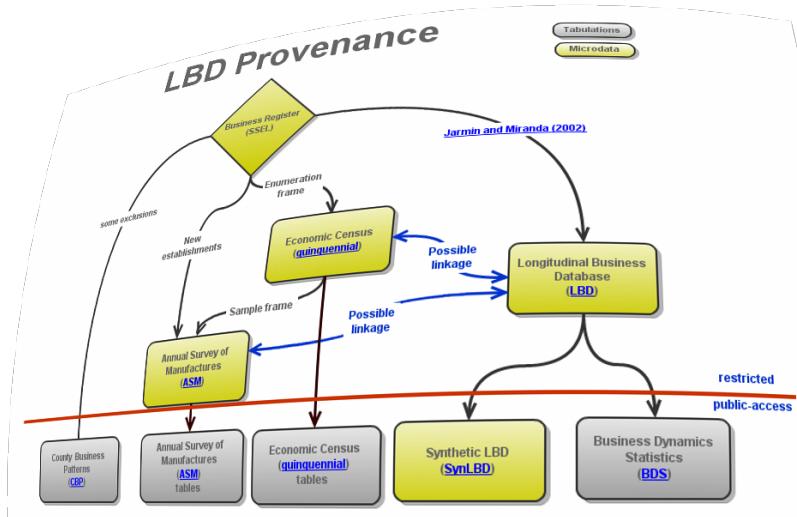
## LBD-BDS complex

# Business Microdata at the Census Bureau

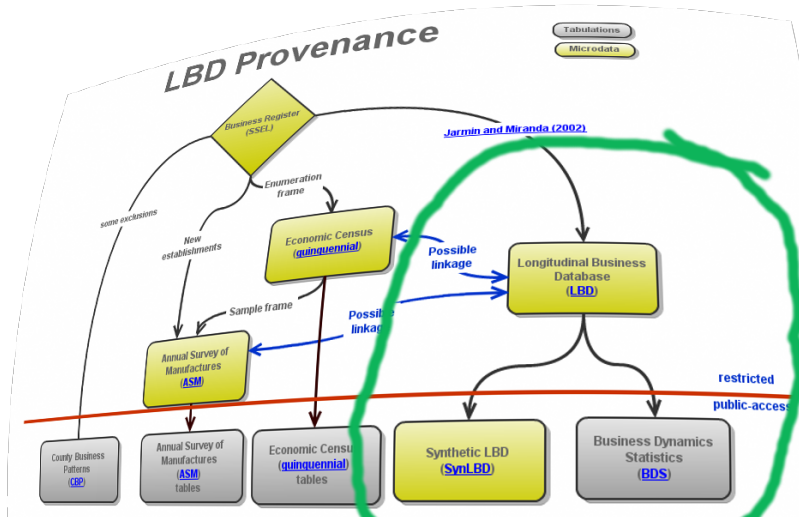
## LBD Provenance



# Business Microdata at the Census Bureau



# Business Microdata at the Census Bureau





# Disclosure avoidance in the BDS

## P-percent rule with secondary suppressions

- ▶ Cells where the top 2 firms account for more than  $P$  percent of the total value of the cell are flagged for suppression

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- ▶ Trivially: cells with fewer than 3 firms represented are always suppressed
- ▶ Secondary suppressions: “minimize the amount of information loss in a given table row or column”.

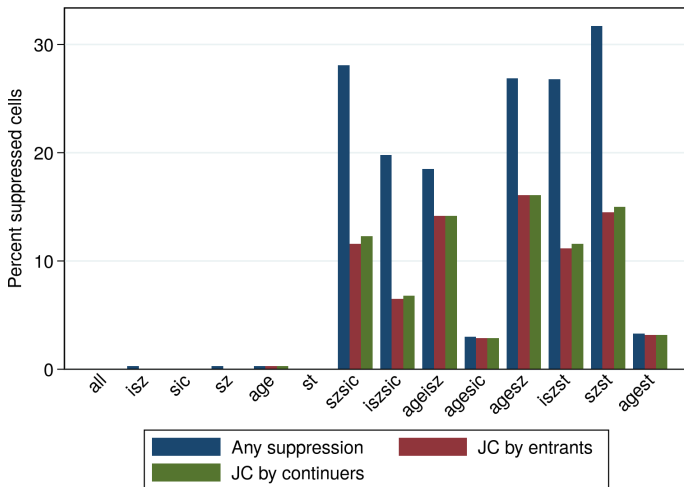
# Extent of suppression

**Table:**Suppressions in establishment-level BDS

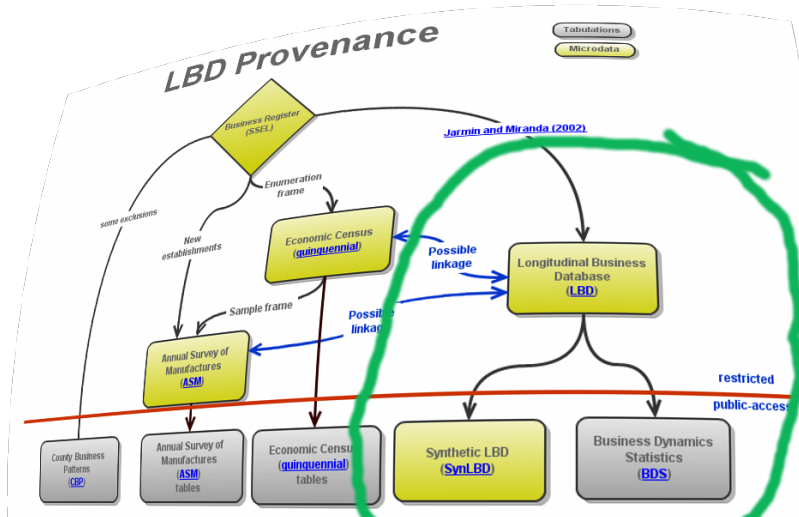
Type	Level	Number of cells	Suppressions (%)		
			Job creation		
			Any	by entrants	by continuers
Age	e	337	0.3	0.3	0.3
Age-Initial Size	e	3033	18.5	14.2	14.2
Age-SIC	e	3033	3	2.9	2.9
Age-State	e	19023	3.3	3.2	3.2
Age-Size	e	3033	26.9	16.1	16.1
All	e	36	0	0	0
Initial Size	e	324	0.3	0	0
Initial Size-SIC	e	2916	19.8	6.5	6.8
Initial Size-State	e	18357	26.8	11.2	11.6
SIC	e	324	0	0	0
State	e	1836	0	0	0
Size	e	324	0.3	0	0
Size-SIC	e	2915	28.1	11.6	12.3
Size-State	e	18358	31.7	14.5	15

Note: Cells are year x categories, where the number of categories varies by published table.

# Extent of suppression



# Business Microdata at the Census Bureau



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- ▶ while preserving the confidentiality of establishment/business data.
- ▶ part of a larger strategy by the Census Bureau to provide *better statistics on business dynamics* CNSTAT [9]

# Contents of (Syn)LBD

## Data elements

- ▶ longitudinal establishment identifiers (created using probabilistic matching [5])
- ▶ information on birth, death
- ▶ employment and payroll over time
- ▶ location
- ▶ industry
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## Complete description

Kinney et al [7]

[more]

## Putting two and two together...

V2.0 of SynLBD released by Census Bureau's Disclosure Review Board in 2011



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V2.0 of SynLBD released by Census Bureau's Disclosure Review Board in 2011

Let's combine public-use data to fill in suppressions

# Goal is two-fold

## Retro-active utility

A mechanism that can fill in existing suppressions.

## Improving disclosure avoidance going forward

Evaluate future disclosure avoidance mechanisms:

- ▶ Suppression
- ▶ This proposition
- ▶ Noise infusion (not here)

# Analytic validity

## Figures

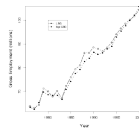


Figure 1: Gross Employment Level by Year, LBD vs Synthetic

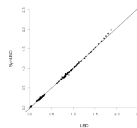


Figure 3: Share of Employment by Industry Sector and Year, 1976-2000

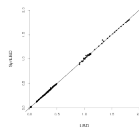


Figure 2: Share of Establishments by Industry Sector and Year, 1976-2000

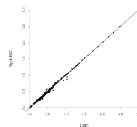


Figure 4: Share of Payroll by Industry Sector and Year, 1976-2000

37

# Analytic validity

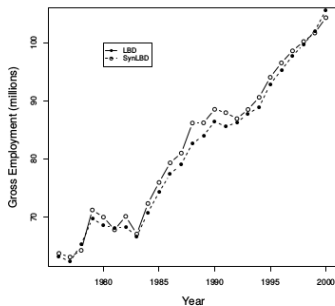


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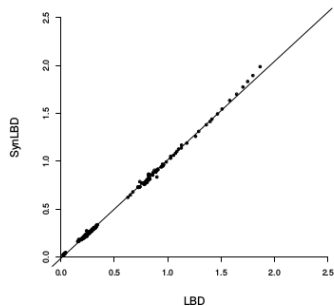


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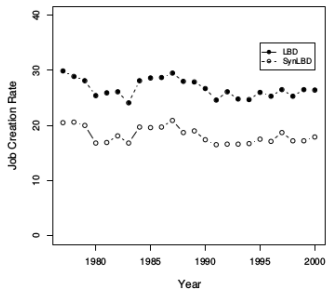


Figure 8: Job Creation Rate by Year, LBD vs Synthetic

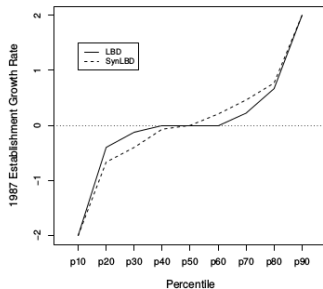


Figure 9: Distribution of Job Creation Rates, LBD vs Synthetic

# Notation

## Base variable

Establishment employment  $e_{jt}$ .

## Example

$$birth_{jt} = \begin{cases} 1 & \text{if } e_{jt} > 0 \text{ and } e_{jt-s} = 0 \quad \forall s \geq 1 \\ 0 & \text{otherwise} \end{cases} \quad (1)$$

$$jcbirth_{jt} = \begin{cases} e_{jt} - e_{jt-1} & \text{if } e_{jt} > 0 \text{ and } e_{jt-s} = 0 \quad \forall s \geq 1 \\ 0 & \text{otherwise} \end{cases} \quad (2)$$

# Notation

## Synthetic values

Synthesized version of variable  $x_{jt}$  is denoted  $\tilde{x}_{jt}$ .

## Cells

Collections of characteristics  $k_t(j)$  (industry, geography, establishment or firm age and size)

$j \in K'_t$  describes the set of firms at time  $t$  such that  $k_t(j) = k'$ .

# Notation

## Aggregations

Generically in capital letters:

$$E_{.t} = \sum_{j=1}^J e_{jt}, \quad (3)$$

Aggregations across establishments having characteristics  $k'$  at time  $t$

$$X_{k't} = \sum_{j \in K'_t} x_{jt} \quad (4)$$



# Suppression rules

## Suppression rules

for (aggregate) variable  $X$  are captured by  $I_t^X$ , such that the releasable variable  $X^{(0)}$  under the current regime can be described by

$$X_{k't}^{(0)} = \begin{cases} X_{k't} & \text{if } I_{kt}^X = 1 \\ \text{missing} & \text{otherwise} \end{cases} \quad (5)$$

# Algorithm 1

We can now express the simple “drop-in” algorithm, leading to the released variable  $X^{(i)}$ , as:

**BDS**<sup>(in)</sup>

---

```
if  $I_t^X = 0$  then
     $X_{k't}^{(i)} = \tilde{X}_{k't}$ 
else
     $X_{k't}^{(i)} = X_{k't}$ 
end if
```

---

# Weighted Algorithm 1

## Time-consistency

Because no time-consistency is imposed, this method can lead to seam biases or higher intertemporal variance

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## Smoothing the time series

In periods that follow a period with suppressions ( $I_t^X = 1$ ), we average synthetic tabulations with non-suppressed tabulations, for up to  $n$  periods.

# Weighted Algorithm 1

BDS<sup>(i)</sup>

---

## Algorithm 1: Weighted Drop-in

---

```

 $s^* = \min_{s \in [0, n]} s.t. l_{t-s}^X = 0$ 
if  $n > 0$  and  $\exists s^*$  then
     $X_{k't}^{(i)} = \frac{s^*}{n} X_{k't} + (1 - \frac{s^*}{n}) \tilde{X}_{k't}$ 
else if  $n = 0$  and  $l_t^X = 0$  then
     $X_{k't}^{(i)} = \tilde{X}_{k't}$ 
else
     $X_{k't}^{(i)} = X_{k't}$ 
end if
  
```

---

# Algorithm 2

## Similar idea, at microdata level

Replace sensitive establishments with synthetic establishments.

## Smooth the replacement

- ▶ per-establishment weight  $w_{js} \in [0, 1]$ , applied to the observed data, that increases from 0 in  $t$  to 1 in  $t + n$ ,
- ▶ a per-establishment weight  $\tilde{w}_{js}$ , applied to the synthetic data, that decreases from 1 in  $t$  to 0 in  $t + n$ ,
- ▶ thus “blending in” the real establishments, and “blending out” the synthetic establishments.

## Algorithm 2: notation

$J_{k't}^-$  establishments excluded from tabulations at time  $t$

- ▶ We construct  $J_{k't}^-$  by first adding establishment identifiers that meet the suppression conditions  $I_{kt}^X$  at time  $t$ .
- ▶ Then add those same establishments to “future”  $I_{ks}^X$ , for  $s \in [t + 1, t + n]$  if  $n > 0$ .
- ▶ At any point in time  $t$ , the set  $J_{k't}^-$  contains establishments that met suppression conditions now and in the *past*, i.e., in  $[t - n, t]$ .

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$J_{k't}^+$  synthetic establishments

added to tabulations as replacements



# Algorithm 2

BDS<sup>(ii)</sup>

---

## Algorithm 2: Forward-longitudinal

---

Compute:  $X_{k't} = \sum_{j \in K'_t} x_{jt}$

Compute:  $I_t^X$

**if**  $I_t^X = 0$  **then**

    // Suppression condition met for cell  $k'$

    Assign all  $j \in K'_t$  to  $J_{k't}^-$  for  $t \leq s \leq t + n$

    Assign all  $j \in \tilde{K}'_t$  to  $J_{k't}^+$  for  $t \leq s \leq t + n$

**end if**

Compute:

$$X_{k't}^{(iiw)} = \sum_{j \in \{K'_t \cap J_{k't}^+\}} \tilde{w}_{jt} \tilde{x}_{jt} + \sum_{j \in K'_t \wedge j \in J_{k't}^-} w_{jt} x_{jt} + \sum_{j \in K'_t \wedge j \notin J_{k't}^-} x_{jt}$$

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# Subtleties

## Careful treatment of border cases

- ▶ Setting  $n = 0$  is similar to the "Drop-in" case, but margins add up
- ▶ Setting  $w_{js} = 0$  for  $s \in (t, t + n]$  simply replaces real establishments with synthetic establishments, no phase-in
- ▶ Synthetic establishments that are in cell  $k'$  in  $t$  but are in cell  $k''$  in  $t + 1$ : should they receive  $\tilde{w}_{jt+1} > 0$ ?

# Analysis

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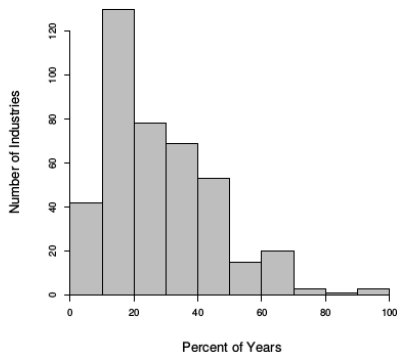
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- ▶ About 26% of all cells have some suppression
- ▶ Here: variable, “Job Creation by establishment births” (`job_creation_births`) and “Job Creation by establishment continuers” (`job_creation_continuers`)

# Protection: From Kinney et al



The comparison is for individual establishments, not within cells

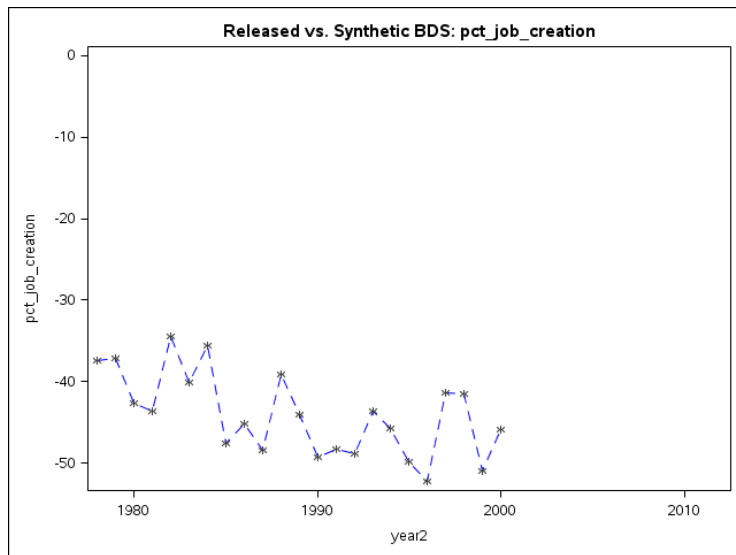
Figure 13: Histogram: Percent Distance Between Actual and Synthetic Employment

# Cell-wise comparison

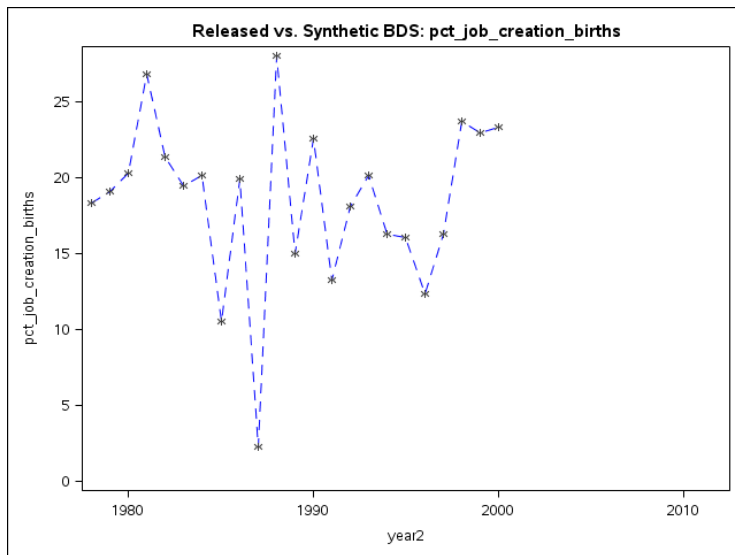
## Criteria for cell-wise comparison

- ▶ Differences in count of establishment in a cell
- ▶ Differences in values of cells

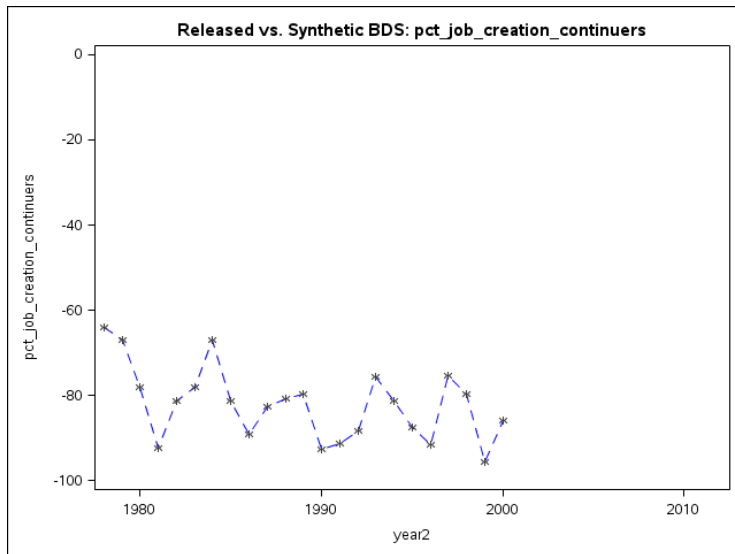
# Cell-wise comparison



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# Analytic validity: time-series

## Setup

Estimate an AR(2) process for each of (confidential)  $X_{k't}$ , (synthetic)  $X_{k't}^{(s)}$ ,  $X_{k't}^{(i)}$ , and  $X_{k't}^{(ii)}$  (and their variants)

## Metrics

- ▶ number of missing time-series estimates/feasible regressions
- ▶ the number of significant coefficients for the first lag  $\rho_1$  of the AR(2)
- ▶ *coverage*, the percentage of regressions where the true  $\rho_1$  lies within the confidence band around the coefficient estimated from the comparison  $\rho_1^s$  and  $\rho_1^{(i)}$ ,
- ▶ interval overlap measure  $J_k$  [6]



$J_k$ 

Consider the overlap of confidence intervals  $(L, U)$  for  $\rho_1$  (estimated from the confidential data) and  $(L^*, U^*)$  for  $\rho_1^*$ . Let  $L^{over} = \max(L, L^*)$  and  $U^{over} = \min(U, U^*)$ . Then the average overlap in confidence intervals is

$$J_k^* = \frac{1}{2} \left[ \frac{U^{over} - L^{over}}{U - L} + \frac{U^{over} - L^{over}}{U^* - L^*} \right]$$

We then average  $J_k^*$  over all estimated AR(2) regressions.

# Analytic validity: Percent missing

**Table:** Analytic validity: Feasibility of AR(2) regressions

Variable	Number feasible $X_{k't}$	Percent Infeasible							
		$X_{k't}^{(s)}$	$X_{k't}^{(0)}$	$X_{k't}^{(i)}$	$X_{k't}^{(in)}$	$X_{k't}^{(ii)}$	$X_{k't}^{(iiw)}$	$X_{k't}^{(iin)}$	$X_{k't}^{(n)}$
emp	90	0	0	0	0	0	0	0	0
estabs	90	0	0	0	0	0	0	0	0
estabsentry	64	59.4	0	0	0	0	0	0	0
jobcreation	90	0	0	0	0	0	0	0	0
jobcreationbirths	90	25.6	18.9	13.3	13.3	1.1	2.2	1.1	0
jobcreationcontinuers	81	0	6.2	0	0	0	0	0	0

# Analytic validity: Percent missing

## Improvement in feasible regressions

- ▶ ... but not completely.
- ▶ Algorithm 2 performs better (noise-infused performs best)
- ▶ Possibly due to poor analytic validity of the underlying synthetic data for these variables (Column 2)

# Analytic validity: Coverage

**Table:** Analytic validity: AR(2) regressions: Coverage

Variable	Coverage							
	$\rho_1^{(s)}$	$\rho_1^{(0)}$	$\rho_1^{(i)}$	$\rho_1^{(in)}$	$\rho_1^{(ii)}$	$\rho_1^{(iiw)}$	$\rho_1^{(iin)}$	$\rho_1^{(n)}$
emp	88.9	100	100	100	100	100	100	100
estabs	88.9	100	100	100	100	100	100	100
estabsentry	92.3	90.6	90.6	90.6	100	100	100	100
jobcreation	82.2	100	100	100	100	100	100	100
jobcreationbirths	89.6	91.8	91	89.7	97.8	97.7	98.9	100
jobcreationcontinuers	76.5	100	81.5	87.7	87.7	88.9	86.4	100

# Analytic validity: Coverage

## Improvement in coverage under Algorithm 2

- ▶ no improvement when using Algorithm 1 (but coverage of underlying synthetic data is poor)
- ▶ Only small difference between Algorithm 2 and noise-infused tabulations

# Analytic validity: Overlap

**Table:** Analytic validity: AR(2) regressions: Interval overlap

Variable	Interval overlap							
	$J_k^{(s)}$	$J_k^{(0)}$	$J_k^{(i)}$	$J_k^{(in)}$	$J_k^{(ii)}$	$J_k^{(iiw)}$	$J_k^{(iin)}$	$J_k^{(n)}$
emp	83.4	99.4	100	100	100	100	100	97.7
estabs	80.4	97.6	100	100	100	100	100	97.8
estabsentry	78.7	82.6	82.6	82.6	100	100	100	95.8
jobcreation	73.3	94.4	100	100	100	100	100	96
jobcreationbirths	72.9	80.9	81.5	79.9	91.9	91.9	91.8	94.5
jobcreationcontinuers	70.7	92.6	77.5	81.6	85.1	85.3	85	95.9

# Analytic validity: Overlap

## Similar picture to the Coverage statistics

- ▶ no improvement when using Algorithm 1 (but coverage of underlying synthetic data is poor)
- ▶ bigger difference between Algorithm 2 and noise-infused tabulations (but notice deterioration in non-sensitive cells)

# Open issues

## Unexplored issues

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- ▶ Time consistency of the series
- ▶ Comparison to alternative “outside-the-firewall” imputation mechanisms ([4, 2])

# Conclusion

## Early in the process

- ▶ Desirable a-priori properties (use of public-use data to fill in blanks)
- ▶ May not work for other variables
- ▶ Assumes suppression as primary disclosure avoidance mechanism...

Thank you

## More info:

- ▶ For information on the SynLBD, see [goo.gl/eyrv7w](https://goo.gl/eyrv7w)
- ▶ Access through the Synthetic Data Server,  
[www.vrdc.cornell.edu/sds/](http://www.vrdc.cornell.edu/sds/)

## Extra slides



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Panel on Measuring Business Formation, Dynamic

Miranda, Vilhuber

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# Acronyms

**BDS** Business Dynamics Statistics